

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /131 W

----- 087394

R 041833Z APR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8051

DEPT TREASURY WASHDC

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EO 11652: N/A

TAGS: EAID, EFIN, IDB

SUBJECT: IDB BOARD OF GOVERNORS FIFTEENTH ANNUAL MEETING

1. IDB BOARD OF GOVERNORS (BOARD) HELD FIFTEENTH ANNUAL MEETING SANTIAGO, CHILE, 1-3 APRIL 1974. IN ADDITION TO ROUTINE BUSINESS, THE FOLLOWING PROPOSED RESOLUTIONS WERE DISCUSSED BY COMMITTEE OF BOARD OF GOVERNORS (CBG) AND/OR WORKING GROUPS AND ACTED ON BY BOARD. DETAILED DOCUMENTS BEING HANDCARRIED WASHINGTON.

2. POTENTIAL NON-REGIONAL MEMBERS. BOARD AGREED NOT TO ALTER BASIC PRINCIPLES INCLUDING \$500 MILLION TARGET AND TO HOLD EXERCISE OPEN UNTIL 1 OCT 1974 IN "CONFIDENT EXPECTATION" INTERESTED COUNTRIES WOULD MEET CONDITIONS. LATIN AMERICANS UNANIMOUS IN THIS COURSE OF ACTION; SEVERAL NOTED THAT PURCHASING POWER OF \$500 MILLION TARGET HAD ALREADY ERODED, MAKING CONTRIBUTION LESS IN REAL TERMS THAN ORIGINALLY INTENDED. CBG INTENDS MEET AT NEXT IBRD/IMF MEETINGS TO RECONSIDER POSITION AT THAT TIME. INFORMAL REPORTS OF MEETING OF NON-REGIONALS HELD LATE 3 APRIL ARE THAT GERMANS UNLIKELY TO INCREASE THEIR CONTRIBUTION BUT THAT SEVERAL OTHERS INCLUDING LIMITED OFFICIAL USE

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UK MAY INCREASE FURTHER IN ATTEMPT TO CLOSE GAP.

3. ADMISSION OF NON-INDEPENDENT COUNTRIES OF REGION. THE BOARD AGREED TO ASK BOARD OF EXECUTIVE DIRECTORS PREPARE APPROPRIATE AMENDMENTS TO AGREEMENT ESTABLISHING THE BANK TO BE SUBMITTED TO BOARD OF GOVERNORS BY 1 JUNE (FOR A MAIL VOTE) WHICH WOULD (A) SPECIFY GUYANA AND THE BAHAMAS AS COUNTRIES ELIGIBLE FOR MEMBERSHIP AT TIMES AND UNDER TERMS DETERMINED BY BANK; AND (B) ENABLE BANK TO EXTEND LOANS TO CARIBBEAN DEVELOPMENT BANK FOR LENDING IN THE TERRITORIES OF ITS MEMBERS, WHETHER OR NOT THEY ARE MEMBERS OF IDB. THIS FORMULA GIVES THE NON-INDEPENDENT CARIBBEAN BANK MEMBERS, AS WELL AS NEWLY INDEPENDENT ONES, ACCESS TO IDB FUNDS WITHOUT PREREQUISITE EITHER INDEPENDENCE OF FORMER OR IDB MEMBERSHIP BY LATTER.

4. ARGENTINE PROPOSALS. (ADAPTATION OF THE AGREEMENT TO PREVAILING CONDITIONS AND THE IMMEDIATE OUTLOOK.) PROGRAM LOANS. CBG AGREED WITH THE EARLIER BOARD OF EXECUTIVE DIRECTORS' RECOMMENDATIONS THAT AN EXHAUSTIVE AND DETAILED STUDY BE MADE OF FORMS OF, AND EXPERIENCE WITH, FINANCING OF PROGRAM LOANS (INCLUDING GLOBAL, SECTORAL AND FOR MULTIPLE PROJECTS) AND THE RESULTS SUBMITTED TO SIXTEENTH ANNUAL MEETING OF BOARD. COMMITMENT FEE. CBG NOTED THAT BOARD OF EXECUTIVE DIRECTORS PROPOSES TO REVIEW BASIS FOR LEVYING COMMITMENT FEE AS SOON AS IT CONCLUDES ITS ONGOING ANALYSIS OF FEE'S FINANCIAL IMPACT, AND RECOMMENDED THAT THE REVIEW BEAR IN MIND THE OPINIONS EXPRESSED BY THE GOVERNORS DURING THIS BOARD MEETING. REGARDING PROPOSALS CONCERNING PREFERENTIAL TREATMENT IN HIRING LATIN AMERICAN CONSULTANTS, PROJECT EVALUATION CRITERIA, AND FINANCING TECHNOLOGICAL RESEARCH, CBG AGREED WITH BOARD OF EXECUTIVE DIRECTORS THAT BANK'S PRESENT POLICY IS SATISFACTORY AND DOES NOT NEED TO BE MODIFIED. BOARD NOTED FOREGOING WITHOUT ADOPTING FORMAL RESOLUTION.

5. EXPORT FINANCING. BOARD REQUESTED THE BOARD OF EXECUTIVE DIRECTORS TO STUDY AND REPORT TO CBG BY 30 SEPTEMBER MEASURES NECESSARY TO EXPAND PRESENT PROGRAM AS WELL AS LEGAL QUESTION OF WHETHER AGREEMENT ESTABLISHING THE BANK ALLOWS EXPANSION IN DIRECTIONS DESIRED BY LATIN AMERICANS. (BASIC THRUST OF LATIN DESIRES WERE FINANCING NON-CAPITAL GOODS AND EXPORTS

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DESTINED TO AREAS OUTSIDE LATIN AMERICA.) ARGENTINES MAINTAINED UNTIL LAST MOMENT POSITION THAT BOARD OF GOVERNORS SHOULD DECIDE ISSUE NOW AND INSTRUCT EXECUTIVE DIRECTORS TO ADOPT NEW MEASURES. IMMEDIATELY PRIOR TO VOTE A.M. APRIL 3, HOWEVER, ARGENTINES WITHDREW OWN RESOLUTION WHILE NOTING THEIR POINT OF VIEW FOR RECORD.

6. INCREASE IN RESOURCES. BOARD REQUESTED BOARD OF EXECUTIVE

DIRECTORS TO INITIATE A STUDY ON POSSIBILITY OF REPLENISHMENT OF BANK'S ORDINARY CAPITAL AND FUND FOR SPECIAL OPERATIONS, AND PROVIDE A REPORT TO CBG IN TIME FOR CBG REVIEW COMMENCING AT A MEETING IN WASHINGTON BY JULY 31. CBG IS TO REPORT TO BOARD BY 1 OCTOBER. SIGNIFICANT NEW ELEMENT IS THAT SUBSTANTIVE WORK ON FINAL SHAPE OF REPLENISHMENT PROPOSAL TO TAKE PLACE IN CBG CONSISTING OF REPRESENTATIVES OF GOVERNMENTS AT OR NEAR MINISTERIAL LEVEL, ALONG LINES OF RECEIPT IDA AND ADB REPLENISHMENT GROUPS.

7. VENEZUELAN PROPOSALS. BOARD AUTHORIZED BANK PRESIDENT TO NEGOTIATE, IN ACCORDANCE WITH BOARD OF EXECUTIVE DIRECTORS' EXPLICIT GUIDELINES, AN AGREEMENT TO SET UP VENEZUELAN TRUST FUND (AMOUNT NEITHER SPECIFIED IN RESOLUTION NOR MENTIONED IN VENEZUELAN STATEMENTS), OF WHICH PART MAY BE ON CONCESSIONARY TERMS. PRESIDENT THEN TO SUBMIT TO CBG FOR APPROVAL AND WHEN APPROVED TO PROCEED TO ITS SIGNATURE AS SOON AS POSSIBLE. AFTER SIGNATURE, AGREEMENT TO REMAIN OPEN FOR ADHERENCE BY OTHER LATIN AMERICAN IDB MEMBERS EITHER ON SAME CONDITIONS, OR ON OTHER CONDITIONS TO BE DETERMINED BY MUTUAL AGREEMENT BETWEEN THE PARTIES. BOARD OF EXECUTIVE DIRECTORS INSTRUCTED TO STUDY AND PROPOSE POLICIES AND PROCEDURES FOR FLEXIBLE USE OF TRUST FUND RESOURCES ENABLING IDB AS TRUSTEE, "AMONG OTHER THINGS, TO FINANCE LARGE-SCALE UTILIZATION OF NATURAL RESOURCES AND THE ACQUISITION OF CAPITAL STOCK AND FINANCING OF WORKING CAPITAL IN LATIN AMERICAN COMPANIES, ESPECILLY IN THE RELATIVELY LESS DEVELOPED COUNTRIES AND THE COUNTRIES OF INSUFFICIENT MARKET, AND TO SUPPLEMENT THE BANK'S PRESENT PROGRAMS FOR THE FINANCING OF EXPORTS, INCLUDING EXPORTS OF MANUFACTURED AND SEMI-MANUFACTURED GOODS, AND EXPORTS DIRECTED TO COUNTRIES OUTSIDE THE REGION." LARGE SCALE REFERS TO SIGNIFICANCE FOR COUNTRY OR COUNTRIES CONCERNED, NOT TO ABSOLUTE SIZE.

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8. EXTENDING AND BROADENING CBG MANDATE. BOARD EXTENDED AND BROADENED MANDATE OF CBG INDEFINITELY TO ATTEND TO SUCH MATTERS AS BOARD MAY REFER TO IT. CBG AUTHORIZED TO ADOPT OWN RULES OF PROCEDURE, BUT RULES SHALL PROVIDE THAT ALL BOARD MEMBERS "MAY PARTICIPATE BY ROTATION IN THE WORK OF THE COMMITTEE" AND THAT CBG OFFICERS CHANGE PERIODICALLY. RECORD MADE THAT INTENTION IS THAT ROTATION WILL BE IN ACCORDANCE WITH PATTERN OF DIRECTORS AND ALTERNATES IN BOARD OF EXECUTIVE DIRECT
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, MEETINGS, MEETING REPORTS, MEMBER ADMISSIONS, FINANCIAL CONTRIBUTIONS, BANK SERVICES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTIA01727
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740076-1004
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740465/aaaachuu.tel
Line Count: 157
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 18 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 SEP 2002 by kelleyw0>; APPROVED <18-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IDB BOARD OF GOVERNORS FIFTEENTH ANNUAL MEETING
TAGS: EAID, EFIN, CI, IDB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005